GOVERNMENT OF MADRAS

FINANCE DEPARTMENT

BUDGET DISCUSSIONS

FOR

1937–1938

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THE MADRAS LEGISLATIVE ASSEMBLY.

BUDGET FOR 1937-38.

1st September 1937.

BUDGET FOR 1937-38—SPEECH OF THE HON. THE FINANCE MINISTER.

THE HON. MR. C. RAJAGOPALACHARIAR:—"Sir, I rise to present to this Assembly the Budget for the current year 1937-38. Before I approach the actual Budget, I crave the indulgence of the House to make some preliminary observations which the present occasion seems to demand. The present Legislature is the first in the history of the Province to be entirely devoid of any official element.

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For the first time the Treasury Bench is occupied by a body of persons elected by and wholly responsible to the people of the Province, and a representative of the people is charged with the duty of placing the annual estimates before the Legislature and of asking it to vote supply. It is, then, appropriate that I should first refer to the financial changes which have been brought about by the Government of India Act, 1935, with special reference to the extent to which the power of the purse has been placed under the control of the Legislature. The Act of 1919 introduced a kind of financial autonomy, but it was diluted to such an extent as to be practically unrecognizable. Both taxation and borrowing powers of Provincial Governments were severely restricted. The Governor-General in Council and the Secretary of State had large and general powers of superintendence, direction and control. The Governor had wide powers of certifying expenditure and, under his Instrument of Instructions, he was the care-taker of the solvency and the probity of public finance of the Province. It is true that under the present Constitution also the control of the Assembly over the finances of the Province is fettered in three respects. First, the Province may not borrow without the consent of the Central Government so long as a debt to that Government is outstanding or if the borrowing is outside India; but this restriction is coupled with a statutory prohibition against an unreasonable withholding of consent. The second restriction is that certain expenditure which is about 15 per cent of the total in the current year is under the Act charged on the revenues of the Province, and is thereby removed from the vote of the Assembly. The main items so charged are, expenditure relating to His Excellency the Governor and his office, debt service charges, statutory grants for university and elementary education, certain payments to local bodies, expenditure on the High Court, and the salaries, allowances and pensions of a class of members of the Services. The third restriction is that the Governor is empowered to make such provision as he considers necessary for the due discharge of what are called the special responsibilities imposed on him by the Act. But from the discussions which took place in the matter of these special responsibilities from April to the middle of July we may, I think, confidently assume that His Excellency is not likely to seek to exercise this special power. I should perhaps specifically mention that neither under the Act nor under the Governor's Instrument of Instructions do His Excellency's special responsibilities include one for the maintenance of the financial stability of the Province. That responsibility has now been transferred to the popularly elected Government, and I am confident that the Ministry can rely on the support of Hon'ble Members of this House in maintaining the credit of the Province which is our greatest asset. This is the more necessary in that a Provincial Government can now no longer borrow from the Central Government but has to float its own loans on the money market. To the extent that its credit becomes impaired by unwise finance it will have to pay more for its loan money, as also will those to whom the Government re-lend have to do, such as local bodies, co-operative societies and agriculturists.

The new conditions.

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"I pass now to another preliminary explanation. In normal circumstances the Budget for a financial year is brought before the Legislature towards the close of the previous year, and is passed through all its stages before the end of the year, in order that funds may be available for expenditure on and from the 1st April. This procedure could not be followed in the case of the current year as the new Constitution was inaugurated in the Provinces on the 1st April 1937 and there were obvious objections to the old Government preparing and the old Legislative Council passing a Budget for the first year of a Government constituted under the new order. To meet this special situation, an Order-in-Council empowered the Governor to authorize expenditure to enable the business of the Government to be carried on from the 1st April until such time not exceeding six months as the schedule of authorized expenditure for the whole year is voted by the Assembly. The object of this device was merely to make appropriation available, in advance of the regular provision of supplies through a Budget Session, to Ministers and the other competent spending authorities. It was not intended to give the Governor any special powers to incur expenditure, nor did it impose on the Ministry any obligation to incur expenditure so authorized. The operation of the Governor's 'grants on account' was, as has already been stated, limited to a maximum period of six months. Their total was also limited in amount to half of the revised estimate for 1936–37,—it actually fell some 36 lakhs below that limit—and so far as information is now available there will be no increase over the total amount already authorized. Copies of the detailed estimates making up this total have already been circulated to Members of both Chambers of the Legislature. The expenditure authorized by the Governor, it should be remembered, has been merged in the full year's estimates now presented to the Legislature, which cover the whole year and not merely the second six months. As soon as the Budget for the year has been passed by the Assembly and authenticated by the Governor the so-called 'six-months' Budget' will cease to have any operation. Governor's Budget.

"Before considering the estimates of the Budget year itself it is usual briefly to review the financial working of the two previous years, and it may be well not to break with this tradition. The last year for which final accounts are available is 1935–36, but not much need be said about them. The Budget for that year anticipated a small surplus on revenue account and the year closed in this respect as anticipated. The position under capital and debt heads improved as compared with the Budget anticipations by nearly 29 lakhs, due mainly to a special loan repayment by the Tuticorin Port Trust and to a shortfall in capital expenditure and in the disbursement of loans to the Madras Corporation. The Famine Relief Fund was drawn upon for financing famine relief operations by 16½ lakhs more than was provided for, mainly on account of the severe famine in the Bellary and Anantapur districts. The year 1935–36 closed with a Revenue balance of 186·27 lakhs, Suspense, etc., balances of 57·90 lakhs, and a balance of 44·48 lakhs in the Famine Relief Fund, making up a total of 288·65 lakhs, which was therefore the opening balance for the year 1936–37. 1935–36.

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"There was at one time a considerable risk that the closing balance for 1935-36 might not be the opening balance for 1936-37. As and from the 1st April 1936, certain areas were taken away from the Province of Madras to form part of the newly constituted Province of Orissa, and there was much apprehension that a slice of our balances might accompany the loss of territory. Fortunately the danger did not materialize, and our balances were preserved to us. The changes in the financial position of our Province as the result of the constitution of the new Province have not been to our disadvantage. Our Revenue account has benefited to the extent of 22 lakhs annually, since the average expenditure in the transferred areas has been about 53 lakhs as against an average revenue of only about 31 lakhs. The Provincial debt was reduced to the extent of 47 lakhs by the transfer of this liability to the new Province, while the Madras Famine Relief Fund has been relieved of the liability to contribute to famine relief operations in the transferred areas. Madras's gain in these respects, I may add, is not Utkal's loss, since under the Niemeyer settlement the Central Government provided the Orissa Province with a suitable opening balance and will pay an annual subvention adequate to ensure the solvency of the Province. I am sure that the good wishes of the Honourable Members of this House and of the people of this Province are with the young Province of Utkal, and we trust that it will have a happy and prosperous future in its new-found life.

1936-37. "Coming now to the financial year 1936-37, the Budget for the year was a balanced one, but according to the preliminary accounts there will be a deficit on revenue account of 17·89 lakhs. The deficit would have been less than a lakh but for a special transfer of 17 lakhs which, though not provided for in the Budget, was made late in the year from revenue to the Famine Relief Fund in order to raise the balance to the credit of the Fund to the statutory limit of 60 lakhs. The effect of this contribution has been to relieve the revenue account in the current year to the extent of 5 lakhs, which is the minimum annual appropriation from revenue under the Famine Relief Fund Act so long as the balance in the Fund stands at less than 60 lakhs.

"Under capital and debt heads the Budget for 1936-37 contemplated an outlay of 218·54 lakhs on capital works and on loans to cultivators, local bodies and others. It was proposed to find the amount from the anticipated recoveries of 61·89 lakhs on account of loans advanced in previous years, by borrowing 118·11 lakhs from the Government of India, and by drawal of the remainder of 38·54 lakhs from Provincial balances. The actual outlay was less than the estimate by 46·14 lakhs, due to short expenditure on electric schemes and civil works, while loan recoveries were higher than anticipated by 8·76 lakhs, mainly as the result of an advance repayment of loan by the Tuticorin Port Trust. During the year, however, the Government of India decided not to grant us the loan applied for, with the result that the amount drawn from the balances came to 101·75 lakhs as against 38·54 lakhs contemplated in the Budget.

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"Under Suspense and other heads, the debits and credits according to the budget estimates for 1936-37 worked up to a net drawal of 22·24 lakhs from the balance under these heads, mainly from the Central Road Fund and the Central Government's grant for rural economic development. Consequent however on the enactment of the Madras Famine Relief Fund Act in the course of the year, it became necessary to withdraw all cash balances of the Fund for investment in Government of India securities. On the other hand short expenditure on Central Road Fund works obviated the necessity of drawing on the balance to the credit of the Fund as the receipts during the year were more than sufficient to cover the actual expenditure. The net effect of these variations was that suspense balances were reduced by 39·45 lakhs as against 22·24 lakhs contemplated.

"The total effect of the financial results for the year 1936-37 under all heads was that, as against a total opening balance of 288·05 lakhs inclusive of a balance of 44·48 lakhs in the Famine Relief Fund held with the Government of India, the year closed with a total cash balance of 129·56 lakhs exclusive of the balance of about 60 lakhs held in the form of securities in the Famine Relief Fund under the Madras Famine Relief Fund Act, 1936.

"The Debt position of the Province as on the 31st March 1937 can best be explained as follows. On the 1st April 1921 the Government of India transferred to us a debt liability of 985·12 lakhs, representing outlay incurred by them on our behalf prior to that date in respect of irrigation works, loans to cultivators, and the like. Between the 1st April 1921 and the 31st March 1937 our total borrowings came to 13,53·74 lakhs and our total repayments 763·31 lakhs. A debt of 47·00 lakhs was transferred to Orissa. The debt outstanding on the 31st March 1937 thus amounted to 15,28·40 lakhs, carrying a debt service liability of 87·67 lakhs in the year 1937-38. It will be seen that the total debt of the Province is less than one year's ordinary revenue, and is also less than the value of the remunerative assets owned by the Province, viz., loans given out by this Government, irrigation and electricity works, etc., as set out in Appendix II on page 148 of the Financial Secretary's Memorandum. Even from the most conservative point of view the Debt position of the Province cannot but be regarded as exceptionally sound. The Debt position.

"I may at this point mention the fact that the annual debt service charge of 87·67 lakhs which should have fallen to be met in the current year has been reduced to a figure of about 54·56 lakhs (the actual figure will be known only when the accounts for 1936-37 have been finally made up), as a result of the arrangement for the decentralization of balances and the consolidation of debt which was brought into effect along with the new Constitution. This is more fully explained in paragraph 16 of the Financial Secretary's Budget Memorandum supplied to you to-day. The immediate relief afforded to our Budget by this arrangement is to be welcomed, but we have to remember that it is a relief obtained at the expense of the future. Instead of having to meet

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immediately a high debt charge in respect of our old debts we have to meet in respect of past debts a charge which will remain a basic charge for the next 45 years and to which will be added further annual charges with every fresh loan that is floated. In other words we must anticipate for the next 45 years a continually mounting burden on the revenue account of the Province for the annual service of the Provincial indebtedness, which means that extra prudence and restraint will have to be exercised in borrowing for unproductive purposes.

Special difficulties. "The way is now clear for a consideration of the real question before the House, viz., the Budget for the year 1937-38. It is not necessary for me to remind Hon'ble Members that the Ministry assumed the reins of office only in the middle of July last. The obligation to get the Budget through all its stages by the end of September involved presentation of it to this House by the end of August, which in turn involved the final formulation of the Budget proposals by the end of July, so as to allow the time necessary for its preparation in the Finance Department, printing, proof-reading and despatch to the Members of the Legislature sufficiently in advance of the Budget session. Hon'ble Members will therefore appreciate the fact that the time available to the Ministry for giving effect to any new policy in this year's budget was a mere matter of days and not weeks or months. If it is remembered that we had many other special problems to tackle consequent on our peculiar position on behalf of the Indian National Congress, and a considerable amount of study was necessary for us to know what the Budgetary position was, Hon'ble Members will readily forgive any shortcomings that they may be inclined to notice. We have done what we could in the short time available. We had inevitably to work on estimates already prepared, and although we have been able to give it some Congress orientation, the present Budget can hardly be regarded as all that we desired for a Congress Party's Budget.

"The position as we found it on our assumption of office was something as follows. The total revenue anticipated for the year was Rs. 16,06·74 lakhs, an increase of 32·81 lakhs over the revenue of the previous year. Notwithstanding that allowance had been made for land revenue concessions in fasli 1347 amounting to 75 lakhs as against 56½ lakhs in the previous fasli due to the collection of arrears of last year in the current year, anticipated extension of irrigation under the Cauvery-Mettur Project, and reduced provision for seasonal remissions in expectation of a normal season, it was anticipated that there would be an

Seasons and prices. increase of 15½ lakhs under the head of Land Revenue. Last year, the south-west monsoon broke earlier than usual and was on the whole defective. Wet crops were restricted in the Carnatic and Central districts and dry crops in the south. The north-east monsoon ushered itself in with a terrific cyclone which worked havoc in some districts, especially Guntur, and the Government had to grant large remissions of revenue and distribute aid to sufferers both in money and in kind. Except for this catastrophe the north-east monsoon was, on the whole, above normal in most districts.

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"The south-west monsoon this year broke later than in last year, and though disappointing at the beginning has generally been normal on the whole, and there were no heavy floods. But in several districts (mostly those not served by it) water-supply was below normal, though sowing and transplanting have been going on as usual and the condition of standing crops as well as of their outturn and of cattle is reported to be fair. Fodder is reported to be generally sufficient and employment available. Prices of paddy, rice and commercial crops have generally been higher than in the corresponding period of last year, though prices of other food-grains and of pepper, sugar and cane jaggery have generally been lower. On the whole, this year both seasons and prices may be more favourable to the ryot.

"Other major anticipated increases were, 4½ lakhs under Excise and 8¾ lakhs additional transfer from the Central Road Fund in expectation of better progress on works financed from that Fund. The total expenditure on standing sanctions, usually called Part I expenditure, was estimated at 15,90·49 lakhs. This was slightly less than the total expenditure in the previous year, inclusive of expenditure on new schemes, but I need not trouble you with details of the variations as they are fully explained in the Financial Secretary's Memorandum. The surplus available for schemes of new expenditure was thus a sum of 16·25 lakhs only. The main reason, we found, for the small size of this surplus in spite of the saving of 33 lakhs in debt charges owing to the consolidation of debt was that this saving had been largely mortgaged by our predecessors in advance. In September and December 1936 a large number of new schemes, which under the normal financial procedure should have been made to stand their chance along with other Part II schemes for consideration in connexion with the Budget for 1937-38, were introduced by means of supplementary grants and voted by the old Legislative Council. The cost of the schemes so sanctioned which had to be met from current revenues was estimated at 14·01 lakhs recurring and 28·94 lakhs non-recurring, the latter to be spread over a few years. It was of course known that the expenditure which would be incurred in the year 1936-37 would be trifling; but the provision which had to be made on that account in Part I of the Budget for 1937-38 amounted to 19·75 lakhs.

"In spite of the large number of schemes of new expenditure thus introduced out of the normal way in the course of last year, a host of new schemes was brought forward by departments for consideration in connexion with the current year's Budget. Their ultimate cost would come to about 25 lakhs recurring and over 2 crores non-recurring, while the cost of getting them started in the current year would of itself be about 50 lakhs. Most of these schemes are admirable in themselves and, if we could only afford them, they would be well worthy of acceptance. But as we have to live within our means, many a good scheme we had to shelve away for better times. We see here an illustration of the soundness of the general financial rule that all new schemes should be considered together at the time of the preparation of

the Budget, rather than that some should be given specially favourable treatment in advance of and without reference to the general body of Part II schemes. It is a pity that this general rule was not observed in 1936.

Land revenue remissions. "The estimates of revenue prepared before we took office have in the main, with but one exception, been accepted by the present Government, including the Land Revenue estimates. As I have stated already, those estimates provide for land revenue concessions in the current fasli to the extent of 75 lakhs, which is greater than has been given in any previous fasli. We have not yet had time to examine the position and decide as to the manner in which the grant of land revenue concessions should be distributed this year. But we must ask those who consider that the provision now made is inadequate to exercise a little patience. We are fully aware that the burden of the land revenue assessment is heavy, but the grant of relief on a scale which would be of material assistance to the individual small ryot would involve such a dislocation of the Budget of the Province that not even a beginning could be made with other ameliorative measures and reforms for the well-being of the masses which, in the opinion of the Government, are of great and urgent importance, and which it would not be right thus for the Government to disable itself from undertaking. The matter will certainly continue to engage the most careful and anxious consideration of the Government, but I want Hon'ble Members to realize that it is a complex and difficult question which cannot be solved by a stroke of the pen within a month or two of assuming the responsibility of running the administration which, as I have already explained, includes the responsibility of preserving the credit and the financial stability of the Province. We have under our consideration proposals for exploiting alternative sources of revenue, but time and negotiations with the Central Government are required to work them out and bring them into operation.

Indebtedness. "While on the question of the relief of the land revenue burden, I may say, Sir, that my colleagues and I consider that of even greater urgency and value to the agricultural population is the adequate relief of indebtedness and immediate steps will therefore be taken in this direction, which will release the cultivator in our Province from the strangle-hold of unredeemable insolvency and despair and, we hope, make a man of him.

Prohibition. "Now I come to the major change which has been made in the estimates of revenue, viz., under the head of Excise. We regard the introduction of the prohibition of intoxicating drinks and drugs as of such vital and fundamental importance to the well-being of the people, that we felt that, at whatever cost, an effective start must be made at once. The Government therefore decided to close with effect from the 1st October 1937 all toddy and arrack shops in the district of Salem. The problem of prohibition has been complicated by the revenue from Drink having been worked deep into the financial structure of the Province. We have of course problems of enforcement and of finding

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other employment for the families who hitherto derived livelihood in the drink business. These questions have to be faced and tackled, and the Government being serious about it, have therefore decided to proceed step by step and not all at once. The first area to be tackled will be Salem. My colleagues have been pleased, Sir, in choosing the venue of this first memorable step to pay a delicate compliment to the faith and enthusiasm of their Premier in this cause, and have given preference to his native district. (Hear, hear). It is, Sir, not to be regarded as a mere experiment, but it should be understood as a first stage. Our policy is finally settled and there can be no question of withdrawal from it. We deem it wrong for Government to be party to the organizing of evil temptations calculated to ruin weak-willed people and cause the destitution of the women and children of their families. With time for financial adjustments and experience in the work of enforcement, it is confidently hoped that the prohibition of drink and drugs throughout the Province will become an accomplished fact. By losing 26 lakhs we really put no less than a crore in the pockets of the peasants and labourers of Salem District every year. So it will be in the rest of the Province as we proceed. But here, again, we must counsel patience to those who would like to see the whole of the Province become 'dry' at one swoop.

"The financial effect of closing liquor shops in the Salem District will, in a full year, be a loss of revenue of 26 lakhs. The loss in the current year will be 13 lakhs, which reduces the sum available for new schemes to the small figure of 3·25 lakhs. In the limited time at our disposal we could make but little alteration in the estimates of expenditure on standing sanctions, except in one respect. Our proposals for the salaries and allowances of Ministers, even including payment of salaries to Parliamentary Secretaries and Members of the Legislature, involved a saving of over Rs. 20,000 on the provision as it stood in the draft Budget when we came into office, but against this had to be set the provision of money for the purchase of cars for the use of Ministers. This latter measure we consider to be reasonable and desirable in view of the fact that the Minister will draw only a small salary and can hardly be expected to put himself to the expense of buying a car which is under present conditions necessary for the discharge of the duties of a political appointment of uncertain tenure (laughter); and this expenditure is not recurring but covers the utility for a number of years.

"In order to increase the amount available for new schemes the Government decided, as a temporary measure until their proposals for increasing revenue or for reducing expenditure in other directions can take shape and materialize, to meet the expenditure on the commutation of pensions from borrowings instead of from current revenues. This is a departure from past practice, under which, because the cost of commutations of pensions has settled down to a recurring charge at a fairly constant figure, it had been usual, with the approval of the Auditor-General and the Public Accounts Committee of the old Legislative Council, to meet them from revenue as they arise. We are satisfied that New schemes.

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this practice is sound and, in normal circumstances, not unduly conservative. But circumstances are now somewhat exceptional and we feel that we would not be justified in holding up urgent and desirable schemes until we have devised methods of making good the loss of revenue arising out of our prohibition policy. We are therefore meeting this expenditure for commutation of pensions in the current year from borrowings, thereby relieving the revenue account to the extent of 10·33 lakhs. The amount available for new schemes is thus increased to about 13¾ lakhs.

"Our proposals for utilizing this amount will be found set out in detail on pages 150 to 161 of the Budget Memorandum. Generally speaking, we have turned down for the time being all schemes in respect of buildings and roads, as they can afford to wait better than most. We have accepted all water-supply and drainage schemes put forward by local bodies, and have made provision for the grant of subsidies for the opening of new rural dispensaries and for the employment of midwives in existing subsidised rural dispensaries, which had been under a ban continuously since 1932. We have provided for the installation of some village broadcasting receiving sets, which may serve both as a public amenity and as an instrument for adult education in rural areas.

Grant for hand-spinning. "We have included provision for the supply of a little buttermilk to our prisoners, and have provided for a grant of 2 lakhs of rupees for assistance to the hand-spinning movement. It is difficult to overestimate the importance of the hand-spinning industry for the well-being of rural families in the dry areas of this Province. It is essential that this industry should be given some measure of assistance to enable it to be revived and to grow and become again a source of supplementary income to peasant families which according to the evidence of every one who has investigated rural problems, including the Royal Agricultural Commission, is a matter of vital and urgent necessity for the well-being of the agricultural workers of the country. Such assistance for the effective revival of a lost industry is a reasonable charge on the revenues of the Province. We have under consideration details as to the form in which this assistance shall be given, but we have no doubt that the entire amount provided will be disbursed within the year. We propose to introduce a small licence fee on all cloth dealers in the province exempting those exclusively dealing in hand loom products. This will bring in some revenue which it is expected will cover at least a part of the grant intended for the subsidy of hand-spinning. We have however not taken credit for any amount of revenue under this head, as it is a new source that has not been estimated and worked out.

Hand-looms.

A surplus budget. "The sum total effect of these proposals will be to leave the revenue account for the year not with a deficit, but with a small surplus of about Rs 6,000, which just represents the Micawberian shilling my predecessor on this bench referred to when presenting the Budget for 1936–37. But we do not propose to follow Micawber's policy of cheering up on a shilling's worth of porter!

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"The total cost in the current year of schemes of new expenditure which are debitable to revenue is, as shown in Appendix IV of the Budget Memorandum, 13·71 lakhs. I may classify for the benefit of the House the distribution of this new expenditure. It works out as follows:

	Amount	Percentage to total.
	LAKHS.	
(1) Primary functions of Government	·82	6 %
(2) Development services	12·64	92·2 %
(3) Charges common to (1) and (2) ..	·25	1·8 %

The major portion of the first item is the additional expenditure under 'Jails' on account of our decision to allow the supply of buttermilk to prisoners.

Capital expenditure.

"As regards capital expenditure, the total amount provided in the Budget for capital outlay on irrigation works, industrial development, electric schemes and civil works inclusive of schemes of new expenditure relating to irrigation and electricity, is 162 lakhs.

Provision for loans.

"In addition to the above, as already explained, a provision of 10·33 lakhs has been included for payment of commuted value of pensions. For loans, provision has been made for 75·52 lakhs which include 37·23 lakhs for loans to cultivators, 30·36 lakhs for loans to local bodies (mostly for their capital expenditure) and 5 lakhs for loans to co-operative building and sale societies. Recoveries of loans previously advanced are estimated at 36·46 lakhs, leaving a net amount of 39·06 lakhs to be met from borrowings.

Ways and Means.

"I can now deal very briefly with the ways and means position for the current year. After taking into account the opening balance on the 1st April 1937 and the probable debits and credits under all the heads the position at the end of the year, if no loan were raised, would be an overdraft of 85·38 lakhs. But under our agreement with the Reserve Bank we have to maintain a minimum deposit of 40 lakhs with them, and we have also to provide the cash in the treasuries and sub-treasuries which may amount to a maximum of 19·15 lakhs. The Government therefore decided to float a loan of 150 lakhs, which should leave a free balance at the end of the year of about 5·47 lakhs. The amount of the loan raised is more than covered by remunerative expenditure proposed to be incurred in the form of capital works and loans to cultivators and local bodies. The House is probably already aware that the loan was heavily oversubscribed within a short time of its being opened for subscription, and will appreciate the confidence thus shown by the investing public in the financial stability of the Province. The degree of over-subscription of the Madras loan will be apparent from the fact that allotments are being made on a 30 per cent basis in respect of applications for more than Rs. 1,000. The figure is 50 per cent in the case of the United Provinces loan and 25 per cent in the case of the Punjab loan, but it

should be remembered that the latter loan is mainly a conversion loan and allotment is made in full in respect of bonds tendered for conversion. Since the Punjab only required 15 lakhs in cash, the cash subscriptions for their loan would amount to a total of only about 60 lakhs, against about 5 crores for the Madras loan and about 2 crores for the United Provinces loan. This indicates how highly the money market rates the credit of our Province.

"This completes the survey of the Budget proposals for the current year. We have not done all that we would have liked to have done, and perhaps we have not done half of what some of our well-wishers and supporters would in their enthusiasm like us to do. But we do feel that in our limited time and with our limited resources we have made an effective start in implementing some of the major parts of our policy. As compared with the preliminary accounts of last year the increase in the provision made under Irrigation is 5¼ lakhs; under Education 2½ lakhs; under Medical 4½ lakhs; under Public Health 9½ lakhs; under Agriculture 1¾ lakhs, Veterinary Rs. 75,000, Co-operative Credit 2½ lakhs and Industries nearly 5 lakhs.

"Budget-making inevitably involves the striking of a balance between the pleasant privilege of spending money in new and additional ways for the well-being and prosperity of the people, and the unpleasant duty of taking money out of the pockets of the people. For after all the Government can spend only to the extent that they are able to tax, and even if schemes are financed from borrowings, borrowed money has to be repaid sometime or other. Much remains to be done, and is indeed already under the consideration of the Government, which does not come within the scope of the present Budget. The most important and perhaps the most difficult, yet the most urgent of these is the problem of how to relieve the burden of rural indebtedness without unduly straining the financial credit of the Province. The present Budget provides for the grant of Government loans for the relief of the indebtedness of ryots to the extent of 30 lakhs. The amount will be increased if necessary, but we wish to evolve a way of tackling the problem on more wholesale lines and provide for more effective relief.

Rural water-supply. "92% of the total population of our province live outside municipal towns. The problem of an adequate drinking water-supply for these people is still to be solved. Foremost among the things that the school of public service which the present Government represents wishes to achieve, is to make pure drinking water available for the people of every village in our land. Not roads, not even literacy can possibly be a greater or more urgent need. My Hon'ble colleague in charge of Public Health hopes to issue ere long a comprehensive memorandum on the subject. But I may broadly indicate the principles on which we propose to work. There are some 50,000 villages in our province, in which some 80 lakhs of families live. If our experts adopt the urban standards to which they are accustomed we can never hope to solve this problem. We have to fix a different standard and different

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varying types of design to suit the varying conditions of the localities in this widespread. Measures have simultaneously to be taken to prevent the source getting contaminated. Small tanks which would be located at some convenient centres provided with taps all round would adequately serve villages and we should not waste money on pipe lines in the rural area or in the smaller towns even. It is possible also to devise a method of drawing water from tanks and channels so as to ensure dependability and non-contamination all through the year.

"Government would examine the possibilities of tapping the existing municipal water-mains for providing water for the rural areas through which the mains pass. The alignment of the mains should be so worked out as to supply water to as many villages en route as may be possible without involving much extra initial cost.

"A survey would be made and data secured in respect of all the districts and a priority list setting out the exact order in which the work should be executed will be prepared on definite principles. With a definite and clear-cut priority list, not only lapses in grants would be avoided but also a predetermined progress in the programme would be achieved. The expenditure will be spread over some years and the amount which could be set apart every year will be fixed. The Government hope to make a definite start on such a programme in 1938–39. The possibility of borrowing and creating a distinct fund for rural water-supply from which money could be drawn according to requirements, thereby solving the problem of uncertainties in budgeting will also be explored. The importance of the subject induced me to dwell on this problem at some length though without a precedent in the presentation of budgets.

"When we think of the pressing needs of the Province in the matter of the supply of clean drinking water for every village, adequate drainage arrangements for all towns and better and more widespread measures for the prevention of disease and the distribution of medical relief; centres of healthy entertainment and culture in all large villages; and the establishment of suitable cottage industries throughout the land, we realize how difficult is the problem of making our limited resources go as far as possible and ensuring that every rupee is spent wisely and to the best advantage. In but about six months' time, God willing, I may be presenting to you the Budget for next year, 1938–39, and the framing of that Budget will be far from easy. We have been able to provide 13 lakhs for new expenditure this year, but on the existing basis that amount will not be available for the same purpose next year as there will be additional loss of drink revenue. There will on the contrary be an outstanding commitment of about 90 lakhs on account of the various water-supply and drainage schemes started in recent years, and if those schemes are not to be slowed down, a much larger amount will have to be provided than the 16 lakhs which appear in the current year's Budget. Even without increasing the land revenue concessions the receipts next year are likely to be more than 10 lakhs below those taken credit for this year, while there is an automatic

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growth in many of our standing charges such as the Government grant equivalent to the elementary education tax (1 lakh per annum) and teaching grants (2 lakhs per annum). We might in view of the improvement in the railway earnings, hope for a share in Imperial income-tax receipts, but obviously we should not count upon it. It is therefore clear that we must use our best endeavours to exploit new sources of revenue without adding to the burden of the poor, and to make up the balance by restricting expenditure in the various departments well below their present level wherever it is found possible to do so. We trust that whatever measures we may bring forward to secure these ends will receive the loyal and ungrudging support of all classes and communities, for it is only with that support and to the extent of that support that the Government can achieve anything.

Reduction of salaries. "A loyal and efficient service is essential for the proper discharge of the duties of Government and without contentment, there can be no loyalty or efficiency. The Government, therefore, fully realizes the importance of maintaining proper standards of remuneration for the important services rendered by the servants of the Crown. All the same, it would be an utter failure of our duty by the people if we shirk the task, however unpleasant, of adjusting the cost of the administration to the taxable capacity of the people. It would be impossible with any sense of justice or proportion to maintain the existing ratio between the earnings of most of the people who pay the taxes and the scales of pay that we disburse for maintaining the administration. Unless the people are made to live a better life, the whole organization of Government will soon break down. In the new political conditions we are in, the very contrast of the lives of the people and those of government officials cannot last much longer without creating dangerous bitterness. Responsible government will not be possible for long under these conditions. Knowing the standard of life that 90 out of 100 people in the countryside have to live, I say what I say in all earnestness. During the year 1933 revised scales of pay were framed by the then Government for the various Provincial and Subordinate services. We consider that these revised scales are still too high and are capable of further reduction, and that new revised scales should be framed on a system of a graded cut on the present revised scales. It will be proposed that the salaries of Provincial and Subordinate services should undergo a cut graded from 2½ per cent to 30 per cent.

"It is our desire that all persons appointed on or after the 1st April 1937 should come on the new scales and that other members of the Provincial and Subordinate services, while remaining on their own scales of pay in respect of the posts now held by them, should, on promotion to a higher service or post, enter on the new revised scale to be fixed for that service or post. We cannot reduce the salary of existing incumbents of offices without obtaining the sanction rom the Secretary of State for India for which we propose to apply. The Finance Department has been asked to prepare a detailed scheme on the basis of these

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proposals and I hope that we shall be enabled to carry it out. These reductions may not yield much money but even if the cuts be only a gesture it is worth while and will help to create a new spirit of hope for a juster distribution of the burdens of the State upon the people of the land.

"The work of the Finance Department has not been simple or easy this year—what with the changes brought about by the new Constitution and a new kind of Ministers to deal with. The Finance Department of Madras has always had a well deserved reputation for the maintenance of a high standard of financial administration and adherence to the principles of financial rectitude. Even within the short period that I have had to work with this Department I have seen enough to be able to assure Members of the House that our Financial Secretary and those working with him have maintained the best traditions of their Department (cheers) and are good and able men. Their work is unpleasant to others and these watch-dogs get no thanks from other Departments. Unless we pay heed to the warnings of watch-dogs we are likely to let them develop a feeling that their objections are of no avail and that other Departments have their way always. Their enthusiasm must wane and their vigorous voice may gradually tone down into an inaudible grunt merely to satisfy an instinct. I take this opportunity to render the thanks of the Government to Mr. C. E. Jones and his officers and staff.

"With these words, Sir, I commend this Budget for the acceptance of this House." (Loud applause).

Mr. SPEAKER:—"The general discussion on the budget will take place on the 3rd and 4th instant. Hon. Members are aware that it is usual in these discussions for a large number of Members to take part. With a view to enable as many Members as possible to do so, sub-rule (3) of rule 126 has empowered the Speaker to prescribe, if he thinks fit, a time-limit for speeches. I do not, however, propose to exercise my power under this sub-rule and fix a time-limit for speeches, as I am sure that no hon. Member would make an unduly long speech and thereby prevent another hon. Member from taking part in these general discussions. If, however, it is found in the course of the discussion that a time-limit is desirable, I shall exercise my power under sub-rule (3) of rule 126. I would also suggest that, as far as possible, the reading of manuscript speeches should be avoided."